



JLARC FOCUSES ON MAJOR BUDGET DRIVERS

Washington's Joint Legislative Audit and Review Committee (**JLARC**) has undertaken over 25 performance audits, studies, and reviews since July 1, 2001. Most of this work has been at the Legislature's direction, through budget provisos and statutory direction. Some is a "look back" to review how previous JLARC recommendations have been implemented. This 2002 Legislative Auditor's Report summarizes some of the Committee's major efforts by looking at key drivers of our state's budgets. The full JLARC reports can be accessed through our website: <http://jlarc.leg.wa.gov>.

HUMAN SERVICES

- **Caseload and Staffing Studies: Children's Administration, DSHS.** Proposed increases to field staff in a biennial budget of **\$844 million** prompted this review of caseload and case staffing issues in the Division of Children and Family Services. While we found that the *caseload* counts reported to the Governor and to the Legislature are accurate—neither overcounted nor undercounted—we also found that more *staff* in the field are available to handle cases than is known from the conventional ways of calculating staff resources. JLARC recommended ways to more accurately account for field staff numbers as well as the development of a caseload staffing model to get a better handle on workload demands. *May 2002*
- **Caseload and Staffing Studies: Division of Developmental Disabilities, DSHS.** Requests in a 2001-2003 budget of approximately **\$1.2 billion** for substantial increases in the numbers of field staff in this Division led to this JLARC review. JLARC found thousands of ineligible clients getting services and concluded that the Legislature cannot rely upon the Division's information about either its caseload or the use of its field staff. JLARC's recommendations address tightening up eligibility processes, caseload monitoring practices, planning efforts, and resource allocation steps. This report led the Legislature to direct a full JLARC performance audit of the Division. *May 2002*
- **Division of Developmental Disabilities Performance Audit.** JLARC's interim report focuses on describing services to 31,000 developmentally disabled clients in the community, with a budget of **\$896 million** in 2001-2003. JLARC found that the absence of a consistent assessment process to evaluate client needs means that the Legislature cannot know whether or not clients with similar needs are getting similar services. Most clients receive a "package" of services. To understand service costs means understanding the extent of that "package," which includes services from other parts of the Department of Social and Health Services and from our K-12 system. JLARC also found that existing case management systems and work processes within this Division impede the efficient delivery of services. JLARC's final report is due by June 2003. *December 2002*

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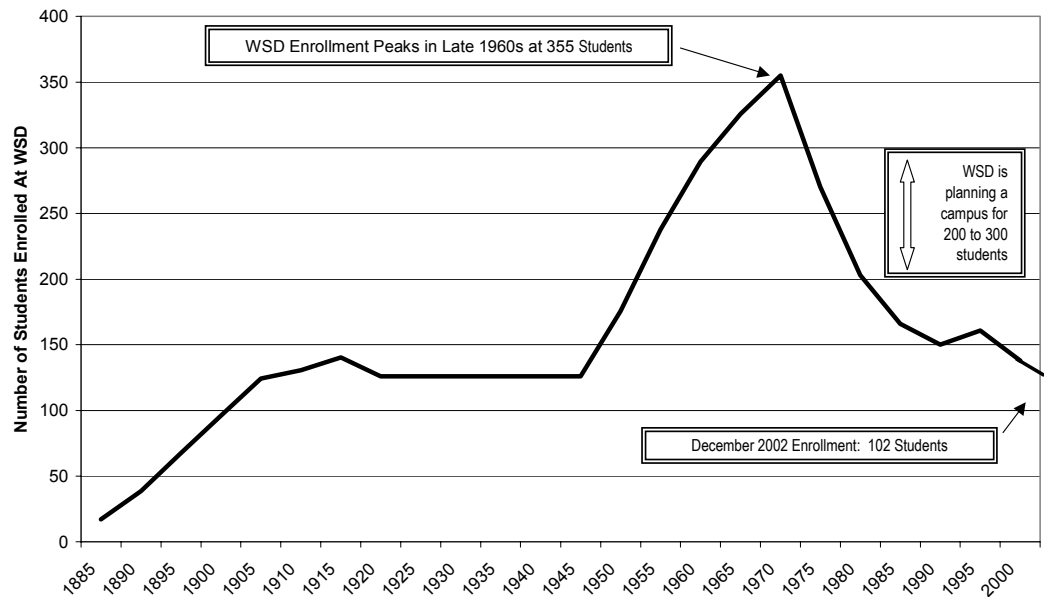
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- **Children's Mental Health Study.** Legislative concern about the implementation of 1991 legislation calling for increased coordination of children's mental health planning and services led to this JLARC review. We found that coordination efforts need considerable improvement and that reliable program, cost, and client outcome information is frequently not available. JLARC's five recommendations address these information and coordination gaps. *August 2002*
- **Washington School for the Deaf: Capital Facilities Study.** A **\$27 million** capital budget request for new facilities at the state School for the Deaf prompted the Legislature's mandate for JLARC's review of capital facilities planning at the School. While our study found that the School has made a compelling case about many problems with its existing older facilities, JLARC raises serious concerns about the scale of the School's proposed solution, given a 30-year decline in enrollment. A companion study by the Washington State Institute for Public Policy covers information on the School's operating budget; the two studies in tandem provide key fiscal and program information for legislators and staff for the 2003 session. *September 2002*

JLARC Study Raises Concerns Over Scale of Current Washington School for the Deaf Capital Facilities Proposal



- **Department of Corrections Community Supervision Study.** With a biennial budget of about **\$160 million** and over 1,000 staff, the Department of Corrections (DOC) supervises approximately 59,000 offenders in the community. Effective operations are a key concern, and we found that DOC was still working on 1998 JLARC recommendations on offender tracking as well as on clarifying workload and budget assumptions. JLARC also looked at early implementation of the 1999 Offender Accountability Act. That Act changes the ways offenders are supervised in the community, shifting to a risk-based approach when deciding any offender's conditions of supervision. While this approach appears to be an improvement, JLARC concluded that neither the Legislature nor DOC can know at present whether or not this approach is yielding increases in community safety. *January 2002*

- **Institutions for the Developmentally Disabled.** A 35-year decline in the residential populations at Washington's five institutions for the developmentally disabled, combined with anticipated costs for rehabilitation and renovation of these aging facilities, led to this mandated JLARC study. Two of these facilities have alternative uses, with such uses potentially generating cost savings totaling **\$36 million**. In addition, sale of excess land and some timber at the other three facilities could yield between **\$12.9** and **\$14.7 million** to the state. Apart from the value of their excess property, these three facilities have little alternative uses other than their present ones as Residential Habilitation Centers. *December 2002*

**DDD Institutional Population in Washington State
1966 to Present**



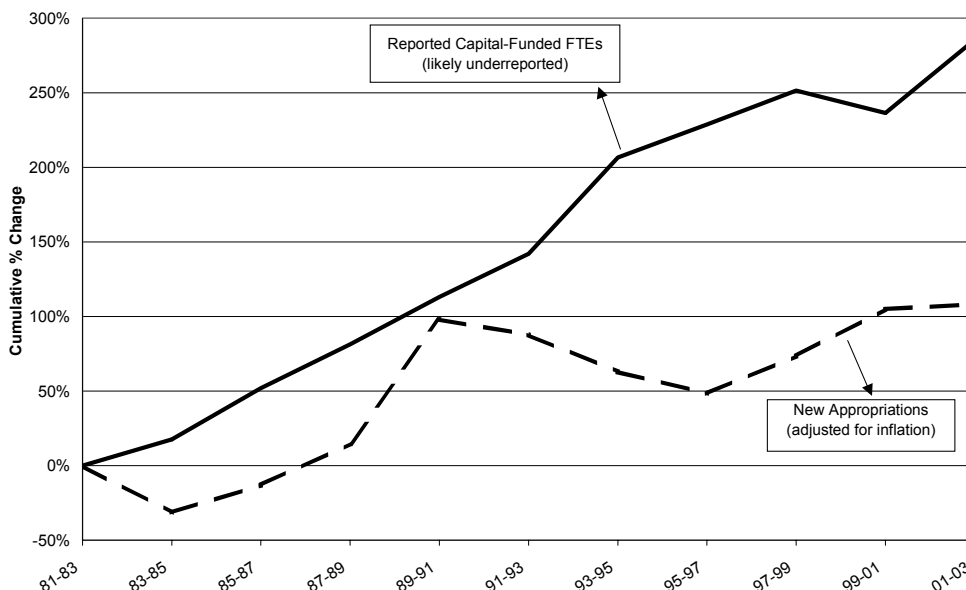
- **Follow-up on Mental Health System Performance Audit.** The 2001-03 biennial budget for the state's public mental health system is **\$1.1 billion**. JLARC's performance audit of this system, completed in December 2000, included 14 recommendations to address identified problem areas. Included were recommendations to improve the coordination of services, to implement an outcome-oriented performance measurement system, and to significantly change the method of allocating funds to the local Regional Support Networks to reduce inequities. While JLARC's follow-up review found that many recommendations have already been implemented, either in whole or in part, many other key efforts are still in process. *January 2003*

GENERAL GOVERNMENT

- **Employment Security Call Centers.** In 1998, the Employment Security Department asked to move to centralized call centers for initial unemployment insurance (UI) claims, in part to reduce annual operating costs by an estimated **\$2.8 million**. The Legislature granted the request but directed JLARC to evaluate the impacts of the change. Our study found that UI claimants definitely do prefer filing their claims via telephone or Internet rather than filing in person at a local job service center. However, JLARC also found that the Department did **not** achieve its projected savings with the change, largely because it underestimated telecommunications costs and overestimated staff savings. JLARC developed a framework on "lessons learned" to help other agencies contemplating a switch to centralized call centers. A follow-up with Employment Security indicates that it is taking several steps to reduce call center costs. *September 2001, January 2003*

- **Aviation Division Study.** The Aviation Division, located within the Department of Transportation (WSDOT), is responsible for general aviation duties such as administering grants to local airports, aviation planning, and maintaining 16 state-owned airports. The Legislature directed JLARC to examine the advantages and disadvantages of removing the Division from WSDOT and establishing it as an independent agency. JLARC found that it would cost over **\$280,000** more per biennium to operate the Division as an independent agency. For this and other reasons, JLARC concluded that general aviation interests could best be served by keeping the Division within WSDOT. *August 2002*
- **Washington Management Service Study.** The Legislature directed JLARC to examine employee and salary growth within the Washington Management Service (WMS), a separate personnel system established in 1993 for management level positions. JLARC found that the number of WMS employees has continued to increase steadily (now numbering approximately 5,000) and at a rate that exceeds that for other state employees. For example, from July 1998 to July 2001, the number of WMS employees increased 38 percent, while the number of non-WMS employees increased only 2.5 percent. Regarding salaries, JLARC found that the difference between WMS and non-WMS salary growth was not substantial and that non-WMS employees are not losing ground in their rates of salary increases. An October 2002 follow up with the Department of Personnel (DOP) showed that approximately 10 percent of those in WMS positions were inappropriately included; DOP is taking steps to ensure that this level of ineligibility does not continue. *January 2002, October 2002*
- **Capital Budget Staffing and Administrative Costs.** The 2001-03 Capital Budget authorizes close to **\$4 billion** in spending for over 500 capital projects administered by 30 different state agencies. Concern about the growth in staffing and administrative costs associated with these projects led to this JLARC study. We found that these staffing patterns and associated costs are not highlighted in the budget development process, are not fully reported, and receive limited policy guidance. Moreover, a potential exists for state agencies to shift their operating costs to their capital budgets. JLARC made recommendations to clarify budgeting and reporting of staffing, administrative, and overhead costs funded through the Capital Budget. *October 2002*

**FTEs Have Grown at a Faster Rate Than
Capital Budget Appropriations**



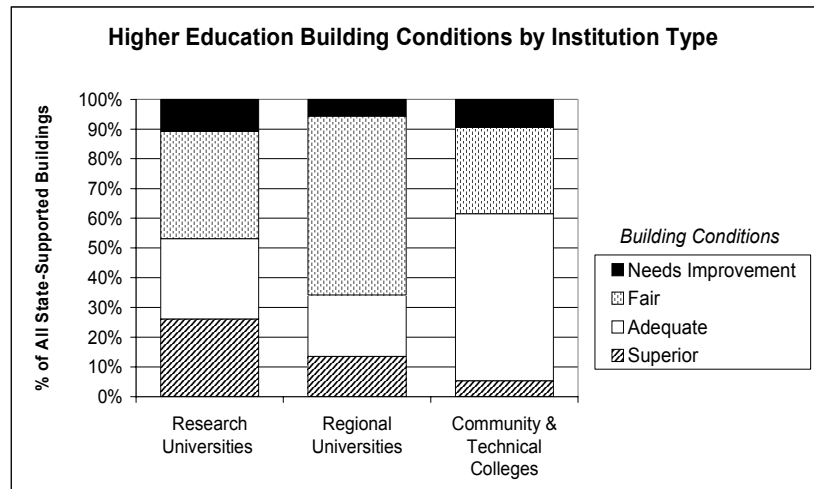
MEMBERSHIP ON JLARC

JLARC consists of 16 legislators - eight senators and eight representatives, equally divided between the two major political parties. At the close of the regular legislative session in each odd-numbered year, the President of the Senate and the Speaker of the House appoint JLARC members. Members, in turn, form an executive committee of one member from each caucus, including a chair and a vice-chair, for a two-year period. Chairmanship alternates between the majority caucus of the House and Senate. JLARC's chair in 2003-05 will be from the Senate Republican caucus.

HIGHER EDUCATION

- **Higher Education Facilities Preservation Study.** Washington's public higher education institutions manage over two-thirds of all state facilities—over 2,400 buildings with 52 million square feet of space valued at **\$11.5 billion**. The Legislature directed this JLARC study because policymakers had very little comparable information about the physical conditions, maintenance levels, repair backlogs, and expenditure patterns for maintenance at these institutions. This JLARC study remedies this situation of missing information through analyses of operating and capital budget expenditures and through creation of a **comparable framework** of facility condition, maintenance, replacement value, and repair backlog information to be updated and used in future budget decision-making at the state level. JLARC's recommendations are geared toward providing incentives for higher education institutions to improve operating budget funding for facility maintenance while developing a better future focus on higher education facility preservation in the state capital budget.

January 2003



K-12 EDUCATION

- **K-12 Special Education Study.** Washington's special education programs accounted for **\$1.1 billion** in state and federal resources in the 2001-03 biennium. The 1995 Legislature changed the state's funding formula for special education and created a safety net process for school districts to apply for additional resources to meet extraordinary costs. JLARC's mandated study assessed various dimensions of this safety net process, including the role of the State Auditor in setting benchmarks for special education costs. Overall, JLARC found that the current monitoring efforts of the Office of the Superintendent of Public Instruction (OSPI) do not provide sufficient information to compare school districts' performance or to establish benchmarks for cost-effective services. JLARC recommended ways to address its findings and awaits responses from OSPI on its proposed actions. *December 2001*

NATURAL RESOURCES

- **Follow-up on Environmental Grant and Loan Programs Performance Audit.** The 2001-03 Capital Budget provided **\$472 million** to 12 programs in six state agencies for grant and loan funding of environmental and natural resource projects throughout the state. JLARC's 2001 **"Investing in the Environment"** performance audit recommended changes in the ways state agencies invest money in projects, track results, and coordinate services to local governments. JLARC's recent follow-up reviews have found that agencies are generally making progress towards implementing the recommendations and improving investment strategies. However, legislative direction to improve cross-agency coordination has only been partially followed to date. *September 2002, January 2003*

JLARC SETS ITS PERFORMANCE AUDIT TOPICS FOR 2003-05

JLARC outlines its Work Plan at the start of each biennium. For the past five years, these Plans have included many studies mandated through the legislative process—both in budget provisos and in statutory directives. JLARC also received a mandated study from **Initiative 775**, to review the work of the “Home Care Quality Authority.”

Committee members, at their October Work Session, discussed a range of possibilities and decided on four studies as their own priorities for JLARC’s 2003-05 Work Plan.

- **Follow-up on WorkFirst.** The Legislature enacted this major change to public assistance policy in 1997. That legislation directed JLARC to evaluate WorkFirst’s effectiveness in meeting the Legislature’s goals. JLARC completed this assignment through a number of reports evaluating these impacts from 1998 to 2001. We will be following up on our earlier recommendations with a focus on caseload impacts, job search, and post-employment services for public assistance recipients, as well as performance measures that emphasize improved outcomes. *Work began on this project in November 2002.*
- **Evaluation of Fiscal Reporting, Accountability, and Performance Tracking Systems.** Over the past several years, Washington has initiated new processes to measure and report on the performance, quality, efficiency, and effectiveness of state programs. JLARC performance audits and reviews have also been part of this process of increased accountability. This study will critically examine the effectiveness of the state’s various fiscal reporting, accountability, and performance tracking systems. *Work began on this project in December 2002.*
- **Medicaid Cost Controls Evaluation.** In order to better control Medicaid expenditures, the Department of Social and Health Services has recently embarked on several initiatives to change the nature of medical services delivery and the eligibility for them. JLARC proposes to track and report on the progress of these changes in order to assess their fiscal and programmatic impacts.
- **Performance Audit of Capital Planning, Budgeting, and Oversight.** During 2001 and 2002, JLARC has undertaken four studies directed at aspects of the capital budget processes. However, the Committee has not looked at broader, cross-cutting capital planning and budgeting issues since 1986. This study will look at capital project selection and budgeting from the point of initial identification of capital demands through enactment of capital appropriations, and implementation and oversight of capital projects.

Other JLARC studies underway for the year ahead include mandated studies of the **Fish Management Division** within the Department of Fish and Wildlife and the **Pipeline Safety Program** at the Utilities and Transportation Commission, as well as reviews of the University of Washington’s management of its **Metropolitan Tract** and DSHS’s **Mental Health Prevalence Study**.

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JLARC MISSION

The Joint Legislative Audit and Review Committee (JLARC) carries out oversight, review, and evaluation of state-funded programs and activities on behalf of the Legislature and the citizens of Washington State. JLARC staff, under the supervision of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented.

